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DEPT FOR WHA/AND, WHA/EPSC, EB/CIP  
COMMERCE FOR 4331/MAC/WH/MCAMERON  
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USTR FOR KENNETH SCHAGRIN, JONATHAN MCHALE  
FCC INTERNATIONAL BUREAU FOR ETALAGA

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TAGS: [ECPS](#) [ECON](#) [EAID](#) [PE](#)  
SUBJECT: INAUGURATION OF DFI MICRO TELECOMMUNICATIONS  
COMPANY

REF: Lima 1158 and previous

¶1. (SBU) Summary. Ambassador Struble, accompanied by an official from USAID Washington, the Vice Minister of Industry, and the General Managers of Voxiva, Motorola, Telefonica and Cisco, inaugurated on April 19 the first micro telecommunications company established under USAID's Last Mile Initiative and the Digital Freedom Initiative. The company, located in the rural highlands, established a local loop to provide internet and telecommunications technology to more than 25,000 people in a 300 square mile area. Currently, 34 families and 13 institutions receive service, and the company plans to expand its services in the next three months. End Summary.

Providing a Necessary Service to  
A Previously Underserved Area  
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¶2. (U) For the past two years, USAID offices in Washington and Peru, working with local partners Voxiva, Motorola and NGO Citi Puyhuan, have developed a pilot plan to provide local internet and telephony service to the rural highlands as part of the Last Mile Initiative and Digital Freedom Initiative programs. USAID chose Molinos, a small town in the district of Jauja approximately 300 miles from Lima, due to its location and lack of rural connectivity. Molinos, which has a population of 10,000, covers a wooded and hilly 70-mile area. The district of Jauja covers a 300 square mile area with a population of 25,000. The area, like most of the highlands, has only recently begun its economic expansion and is highly dependent on agriculture.

¶3. (U) In September 2005, local entrepreneur Fermin Torrejon, using USAID funding and technology from Motorola, established a micro telecommunications company (microtelco) called Televias Puyhuan in Molinos to provide a full package of services, including a local telephony loop using voice over internet protocol (VoIP), internet and television.

This microtelco now provides telephony coverage to 34 families in Molinos, as well as 13 institutions, including the municipal government. Prior to the installation of the microtelco, Molinos boasted one pay phone for every 3,000 inhabitants, no internet connections and limited television broadcasts.

¶4. (U) Although the company officially opened its doors in September, the Ambassador, accompanied by a representative from USAID/Washington Noreen Janus, Vice Minister of Industry Antonio Castillo, and the General Managers of Voxiva, Motorola, Telefonica and Cisco, traveled to Molinos on April 19 to inaugurate the company. During a four-hour inauguration ceremony held in the Molinos town square, the Ambassador and Peruvian Government officials emphasized how this microtelco will improve the connectivity between the people of Molinos and the rest of Peru. The Ambassador highlighted that in addition to promoting the sharing and development of ideas, the inhabitants of Molinos and Jauja will be able to establish linkages to promote trade and foster economic development.

Next Steps: Nationalizing  
The Pilot Project  
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¶5. (SBU) According to entrepreneur Fermin Torrejon, Televias Puyhuan plans on expanding its services to the neighboring towns in the Jauja district, most of which lack internet and telephone capabilities. By the end of 2006, the microtelco hopes to service 300 users, which will allow the microtelco to break even financially. Torrejon will coordinate with Voxiva representatives to refine the

business model to lower costs and attract new users.

¶6. (SBU) The Digital Freedom Initiative (DFI) Working Group, headed by the U.S. Embassy, is working closely with the Ministries of Production and Communications to establish Internet access in more than 1,000 rural areas. Telefonica, Cisco, Motorola and Voxiva have pledged their support to roll out microtelcos in 50 rural areas in 2006-2007. The DFI Working Group will also meet with officials from other U.S. companies in Peru, many of which work outside the information and telecommunications sector, to obtain their support for the establishment of microtelcos in their regions. The goal is to promote a sustainable entrepreneurial microtelco model that can be deployed in underserved areas throughout Peru.

Comment  
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¶7. (SBU) Although telephone and Internet usage in Peru has increased dramatically in the past five years, 70 percent of users are located in Peru's coastal areas. Because of Peru's rugged terrain, local telephone companies find it difficult and costly to expand their services to the rural areas in the Andes. The microtelco model, established under the Last Mile Initiative and the Digital Freedom Initiative, encourages local entrepreneurs to promote economic growth in rural areas through the provision of information technology to local users. This USAID project, which is still in its infant phases, has the potential to be a model for the rest of Peru. Our DFI Working Group will continue to monitor Televias Puyhuan's progress and may assist the company with its business model. The microtelco entrepreneur has offered to advise other entrepreneurs in Peru who wish to copy this model. Our coordinated efforts, along with the continued support of key Peruvian Government Ministries, should enable the expansion of local loop services to some of Peru's most rural areas.

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